

Option 1: <u>Insourcing</u> SHOP Administration to SI Vendor	Option 2: <u>Outsourcing</u> SHOP Administration to 3rd Party Vendor
Summary	
The Exchange would require the Systems Integrator to configure SHOP operations and administration.	<p>The Exchange would outsource SHOP administration and operations to a private exchange vendor.</p> <p>A separate procurement (RFP) would be sent to national private exchange vendors capable of SHOP administration for state-based exchanges.</p>
Purpose	
Having the SI vendor provide ACA-compliant functionality for a state-based exchange leverages their development expertise and ensures integration with the greater solution.	The functions required of the SHOP Exchange are not part of the typical core competency of SI vendors. A private Exchange vendor will have systems already in place for premium aggregation and dissemination and employer/employee support.
Pros	
<ul style="list-style-type: none"> • Efficiency of single vendor accountability • Potential for better price due to scale of IT services • Avoids integration of multiple systems • Potential for greater flexibility and customization to specific operational needs of Exchange 	<ul style="list-style-type: none"> • Core competency of vendor • Mature, stable technology • Vendor able to better anticipate needs of brokers and small businesses • Less development risk in time, money and functionality. • Potentially a better price due to scale of existing SHOP functionality • A PMPM cost model may be more appropriate while size of SHOP remains uncertain
Cons	
<ul style="list-style-type: none"> • Not core competency of SI vendor – may impact work quality • Would require re-pricing from SI vendor • Diverts SI vendor from work on integrated eligibility and Exchange portal and may result in delays in delivery of complete system • Initial development cost • Development risk in time, money and functionality 	<ul style="list-style-type: none"> • Management of multiple vendors • Integration of multiple systems and processes • Existing solutions may not include all the functionalities desired by Exchange

Staff Recommendation
<p>Exchange Staff recommends outsourcing SHOP operations to an experienced 3rd party vendor.</p> <p>SI vendor has enough challenges implementing the State’s integrated eligibility and affordability programs for individuals without having to also develop SHOP functionality. SHOP administration is a unique competency best served by vendors who are already experienced with its nuances. The Exchange believes it will get better price, performance, value, fewer implementation issues, and more satisfying experience for brokers and small employers.</p>